YUKON UTILITIES BOARD
2009-2010 ANNUAL REPORT

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THE BOARD

The Yukon Utilities Board was established pursuant to the *Public Utilities Act,* Revised Statutes, 1986. c. 143, as amended. Section 2 of the Act defines the Board as comprised of not less than three and not more than five members. Section 4 provides for the appointment of a substitute member to act in the absence of a member of the Board. The Chair, Vice-Chair and members are appointed by the Minister of Justice for terms of three years. Members can also be appointed to serve subsequent terms, at the discretion of the Minister of Justice.

The Board office is located at Unit 19, 1114 First Avenue (Second floor of the Horwood's Mall) in Whitehorse, Yukon. Our mailing address is:

Yukon Utilities Board
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Whitehorse, Yukon Y1A 6L3

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The Board retains independent legal advisors and qualified technical consultants, and it contracts with a part-time Executive Secretary.

The Board regulates two electrical utilities in the Yukon, the Yukon Energy Corporation (YEC) owned by the Government of Yukon, and the privately owned Yukon Electrical Company Limited (YECL). The Board carries out such other functions as are required by the *Public Utilities Act* and as directed by the Minister of Justice as ordered through the territorial government's Orders-in-Council.

Under Section 52 of the *Public Utilities Act*, and following the principles of natural justice, the Board may, with respect to an inquiry:

- exercise the exclusive jurisdiction and authority to determine any question of fact, law or mixed fact or law required to be decided;
- receive such evidence or other information as it considers appropriate, whether or not such evidence is given under oath or affirmation, and whether or not it would be admissible in a court of law;
- exercise the powers, privileges, and immunities of a Board of Inquiry under the *Public Utilities Act*;
- determine the persons to whom notice of any proceedings shall be given; and
- determine its own procedures.

Board Orders are reviewable by the Yukon Court of Appeal.

The Board's authority includes carrying out investigations and reviews at the request of the Minister of Justice pursuant to the *Public Utilities Act*, namely Regulation of Public Utilities (Part II) and the regulation of Energy Projects (Part III). The Board is also empowered to investigate complaints and initiate investigations it deems necessary in the interest of ratepayers generally (Part IV).

Funding for public hearings can only be authorized by the Minister of Justice.

MEMBERSHIP

Board membership during the reporting period consisted of:

Chair	Wendy Shanks (Resigned December 11, 2009)
Chair	Bruce McLennan (As of January 28, 2010)
Vice-Chair	Robert Laking (Acting Chair from Dec. 11, 2009 – Jan. 28, 2010)
Member	Richard Hancock
Member	Jody Woodland
Member	Kathleen Avery

BOARD SUPPORT

Board Support during this reporting period was provided by:

Executive Secretary	Shay Smart Whitehorse, Yukon
	Deana Lemke Beyond Words Business Services Whitehorse, Yukon (To June, 2009)
Technical Support	Alberta Utilities Commission
Regulatory Legal Support	Alberta Utilities Commission

THE YEAR IN REVIEW

Board Meetings

There were 21 Board meetings in this fiscal year, held on:

April 2, 2009
April 7, 2009
April 28, 2009
May 7, 2009
May 21, 2009
May 25, 2009
June 10, 2009
June 29, 2009
August 25, 2009
September 8, 2009
November 5, 2009
November 19, 2009
December 2, 2009
December 4, 2009
January 21, 2010
February 4, 2010
February 11, 2010
February 17, 2010
February 24, 2010
March 23, 2010
March 25, 2010

CANADIAN ASSOCIATION OF MEMBERS OF PUBLIC UTILITY TRIBUNALS (CAMPUT)

The Yukon Utilities Board continues to be an active member of the Canadian Association of Members of Public Utilities Tribunals (CAMPUT). The Board relies on CAMPUT and the Alberta Utilities Commission to provide most Board member training.

The 2009 CAMPUT Conference was held May 10-13, 2009 in Saint John, New Brunswick. Chair Wendy Shanks and Member Kathleen Avery attended this event.

Member Jody Woodland participated in the CAMPUT International Financial Reporting Standards course May 25, 2009 in Calgary, Alberta. Mr. Woodland also participated throughout the year in the working group that commissioned and oversaw production of the 'CAMPUT Benchmarking for Regulatory Purposes' report.

The CAMPUT Annual General Meeting and Conference was held in Winnipeg, Manitoba from September 20 to 23, 2009. Chair Wendy Shanks and Executive Secretary Shay Smart attended these events. The Yukon Utilities Board looks forward to hosting this event in Whitehorse August 22-25, 2010.

BOARD TRAINING AND EDUCATION

Member Kathleen Avery participated in the Running a Fair Hearing workshop on February 24-26, 2010 in Ottawa.

On March 25, 2010 the Board and Executive Secretary received public hearing training in Whitehorse. This training was specific to the Board's needs, and provided exposure to public hearing procedures and processes, as well as information on decision making and writing.

HEARINGS

For more detailed information on any Board proceedings and decisions, please refer to the original Board Orders.

In 2009-2010, the Board concluded its proceedings regarding YEC's 2008 and 2009 General Rate Application, initiated in the 2008-2009 fiscal year. The Board also initiated proceedings into YEC's Mayo Hydro Enhancement Project (Mayo B).

Yukon Energy Corporation 2008 and 2009 General Rate Application

On October 6, 2008, YEC filed with the Board an Application, pursuant to the *Public Utilities Act* and Order-In-Council 1995/90, requesting an Order approving forecast revenue requirements for the 2008 and 2009 test years of $29.217 million for 2008 and $31.599 million for 2009. The Application also requested approval of Interim Refundable Rates for retail rate reductions (Rider U).

The Board denied the interim refundable rate as requested by YEC and ordered YEC to implement an interim rate by amending Rider J and applying a 5.98-percent decrease to the base rates of all rate classes, except Rates 39 and 32, effective December 1, 2008.

On December 19, 2008, the Minister of Justice authorized the Board to incur the expenses necessary to conduct a public hearing into the Application pursuant to Section 50 of the *Public Utilities Act*.

On May 5, 2009, the Board held an oral public hearing in the City of Whitehorse, Yukon, before the Board. The Board considered the extensive evidence and the written Argument and Reply Argument of the parties respecting the Application.

On September 8, 2009, the Board issued Board Order 2009-08. In the Order, the Board directed YEC to provide a compliance filing to the Board within 30 days of the issuance of the Order in accordance with the directions set out in the Reasons for Decision. The Board approved the 2008 and 2009 revenue requirement for YEC with the changes directed in the Reasons for Decision. Additionally, the Board directed YEC, in conjunction with YECL, to file a complete Phase II (rate design and cost of services) Application with the Board within 60 days of the date of the decision on the above ordered compliance filing.

Highlights of the Reasons for Decision for Board Order 2009-8 are included below:

1. The Board directed YEC to incorporate YECL's approved load forecast as wholesale sales forecast in its compliance filing. (Pages 5-7)
2. The Board directed YEC in conjunction with YECL, to consult with stakeholders and develop a policy paper with respect to Demand Side Management (DSM) initiatives. (Pages 7-9)
3. The Board directed YEC to use the fuel price of $0.96/litre for Whitehorse and to reflect the directed fuel price change in its compliance filing and all related schedules. (Pages 10-11)
4. The Board accepts that YEC labour cost increases of 3.75% and 3.5% respectively for 2008 and 2009 result from employee negotiations and are reasonable. (Pages 13-14)

5. The Board considers YEC's explanation regarding the proposed increase in brushing costs to be acceptable at this time. Therefore the Board accepts the transmission costs as filed. However, the Board has concerns regarding the lack of structure respecting YEC's brushing program. The Board therefore directs YEC to undertake a study into brushing activities of similar utilities and report its findings to the Board at the time of its next GRA. Further, the Board directs YEC in its report to include a written brushing policy that describes comprehensively YEC's approach and explains the manner in which the budget for any year is derived. (Page 15)
6. The Board finds that a policy outlining the criteria for charging items to the Insurance and Reserve for Injury and Damages is needed. The Board directs YEC to undertake a risk management study (Study) of other utilities. (Pages 17-18)
7. The Board approves the continued use of the Deferred Fuel Price Account and the Diesel Contingency Fund as applied for by YEC. (Page 19)
8. Other than the issues with respect to the Reserve for Injuries and Damages previously discussed, the Board accepts the levels of insurance premiums as forecast by YEC for each of the test years. (Page 20)
9. The Board approves YEC's rate case costs as proposed, subject to the current hearing costs of this Application being determined by the Board in its hearing costs process. (Page 23)
10. The Board finds there is merit in reviewing KPIs for each of the three functions of YEC (generation, transmission, and distribution). Therefore, at the time YEC files its next GRA, the Board directed YEC to file KPIs for each of the functions included in the application. (Page 24)
11. The Board directs YEC and YECL to file a joint Phase II application containing an up-to-date cost of service study (with electronic models attached) within 60 days of the issuance of the decision on the compliance filing by YEC as directed in Board Order 2009-8. (Page 27)
12. The Board defers consideration of Rate Schedule 32, Fixed Rider F, Rate Schedule 42 and other rate design issues until the joint Phase II proceeding. (Pages 28, 29, 32, 33)
13. The Board directs YEC, in future, to file any Part 3 applications before the Board only when preliminary engineering estimates are available and included as part of the application. (Page 37)
14. The Board is not satisfied that there is a need for the Minto units (based on the capacity planning criteria) and finds that YEC has not shown that the Minto units are the least cost option for YEC to pursue. The Board concludes that the Minto units are not to be included into rate base for this test period and directs YEC in its compliance filing to amend its revenue requirement and schedules accordingly. (Page 42)
15. The Board accepts the position that the Whitehorse Mirrlees Diesel Generator (WD3) Rebuild is the least cost option for adding capacity to the Whitehorse-Aishihik-Faro (WAF) grid system and approves the cost of the rebuild and related common costs into rate base as applied for. (Page 42)

16. The Board reaffirms its view with respect to the Faro Mirrlees Diesel (FD1) Recommissioning and accepts the actual costs of the recommissioning into rate base. (Page 42)
17. The Board recommends that the Aishihik third turbine project not proceed until that time unless YEC can justify an earlier in-service date. To minimize the uncertainty around timing of the Aishihik third turbine, the final decision to proceed with this project should be made closer to the date when economic reasons indicate that the turbine is needed. (Pages 43-44)
18. The Board approves the amounts for Distribution Projects $100,000 to $1 Million; Generation Projects under $1 Million; Transmission Projects under $1 Million; and General Plant and Equipment Projects under $1 Million, all as filed in the Application. (Page 44)
19. Regarding projects between $100,000 and $1 Million, the Board finds the YEC's deferred costs are justified by their benefits: having projects that are "shelf ready" such that they are ready to proceed at some future date as circumstances warrant; the feasibility work that already has been undertaken may result in products that have other uses and applications of ongoing value to the utility; and the benefits of engaging with the local community and working with them through the issues. (Page 47)
20. The Board notes that YEC submitted "[t]he current plan adopted by Yukon Energy for 2009 is reduced from the level assumed at the time of the GRA, to a level of $4.3 million ... based on current draft plans". Accordingly, the Board directs YEC to reflect this change at the time of its Compliance Filing and show total deferred costs for 2009 of $4.3 million and to reflect this amendment in all related schedules. (Page 48)

Yukon Energy Corporation Mayo Enhancement (Mayo B) Application

On December 11, 2009, YEC filed an Application, pursuant to the *Public Utilities Act* and Order-In-Council 2009/220, for an energy project certificate and energy operation certificate for the proposed Mayo Hydro Enhancement (Mayo B) project. On December 18, 2009 the Minister of Justice forwarded this application to the Board and authorized the Board to incur the expenses necessary to conduct a public hearing into the Application pursuant to Section 50 of the *Public Utilities Act.*

On January 28, 2010, the Board issued Order 2010-01 which outlined the Board processes related to the Application and called for Intervenor applications. Board Order 2010-02 (February 11, 2010), 2010-03 (February 17, 2010), and 2010-05 (February 24, 2010) granted intevenor status to parties and further outlined the hearing process and schedule. On March 23, 2010 to Board issued Order 2010-05 requiring further responses from YEC to the Utilities Consumers' Group Information Request.

Oral hearings into the application were scheduled for April 6-8, 2010. Board recommendations will be forthcoming in 2010-2011.

BOARD ORDERS

Below is a summary of Board Orders approved by the Board during this reporting period. All Board Orders can be viewed on the Board's website at www.yukonutilitiesboard.yk.ca

Order No.	Date	Order
2009-4	April 7, 2009	Yukon Energy Corporation General Rate Application – Board Decision re: Information Request Responses
2009-5	May 21, 2009	Approval of Yukon Electrical Company Ltd. Compliance Filing
2009-6	May 28, 2009	Yukon Electrical Company Ltd. General Rate Application Cost Claims
Errata to 2009-6	July 2, 2009	Correction of Decision on Yukon Electrical Company Ltd. General Rate Application Cost Claims
2009-7	July 2, 2009	Yukon Electrical Company Ltd. Review and Vary Request on Board Order 2009-02
2009-8	September 8, 2009	Yukon Energy Corporation 2008-2009 General Rate Application
2009-9	September 8, 2009	Yukon Electrical Company Ltd. Review and Vary Request on Board Order 2009-02
2009-10	November 18, 2009	Yukon Energy Corporation Compliance Filing for 2008-2009 Revenue Requirements

Order No.	Date	Order
2009-11	December 8, 2009	Yukon Energy Corporation 2008-2009 General Rate Application Cost Claims
Errata to 2009-11	December 10, 2009	Correction of Decision on Yukon Energy Corporation 2008-2009 General Rate Application Cost Claims
2010-01	January 28, 2010	YEC Mayo B Application Process
2010-02	February 11, 2010	YEC Mayo B Intervenors and Process Schedule
2010-03	February 17, 2010	YEC Mayo B Hearing Schedule and Additional Intervenor
2010-04	February 24, 2010	UCG Application for Intervenor Status, Mayo B
2010-05	March 23, 2010	YEC Further Response to Mayo B Information Request

FUTURE BOARD ACTIVITIES

The Board commenced proceedings into YEC's Mayo B application during this year. Oral hearings into the application were scheduled for April 6-8, 2010 and Board recommendations will be forthcoming in 2010-2011.

The Board received YEC and YECL's joint Phase II application on February 19, 2010. This application will be considered by the Board during 2010-2011.

From August 22-25, 2010, the YUB looks forward to hosting the Annual General Meeting for CAMPUT. This AGM will bring the Chairs and Board members of provincial and territorial energy regulatory tribunals to Whitehorse for their annual meeting. CAMPUT is the national association for energy regulators and provides a leading role in addressing current relevant topics of interest to regulators

across Canada. CAMPUT also provides ongoing education to its members, and the YUB makes active use of the organization's expertise.